



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

July 7, 2006

Mr. Lester Fernandez
Special Agent in Charge
United States Department of Education
Office of Inspector General
61 Forsyth Street, Suite 18T71
Atlanta, GA 30303-2219

Dear Mr. Fernandez:

On May 11, 2006, a joint team of six Auditor of Public Accounts (APA) staff and five staff from the Kentucky Department of Education (KDE) made an unannounced visit to Johnson County School District in response to your complaint.

This letter is a follow-up to your correspondence (attached hereto) received by this office on February 22, 2006, pertaining to possible irregularities in attendance data and certain other matters in the Johnson County School District.

Our investigation consisted of interviews conducted at central office, two elementary schools, the high school, and with a former superintendent. The date of the investigation was selected on the last day students were present and faculty and staff were still on site. A total of 32 interviews were conducted with administrators and teachers on the day of the site visit. We have subsequently followed-up with additional interviews.

This letter contains a summary of general findings related to the attendance and certain payroll matters. This letter also contains actions that the APA and KDE will be pursuing and a statistical section of attendance data for the past four years in the Johnson County School District.

General Student Attendance Findings

1. Attendance data was input by school principals at elementary schools.

Although schools have administrative support personnel who would and should input daily attendance data, we found that the principals input this data. We find this practice very unusual based on what KDE advised us were routine school practices.



2. Attendance data backup submitted by teachers is not retained after input.

Based on our interviews, we were advised that after attendance data is input by certain principals, the source document submitted by the teachers is immediately discarded. Dated electronic information for the previous year is not available in a useable format at the local district. These practices make verification impossible.

In addition, we noted that an office employee collected teachers' grade books, which included some attendance data, on the last day of school. These books were not returned to teachers. This practice has been in place for a couple of years. This information, coupled with the discarding of daily attendance sheets prepared by teachers, and that teachers do not see the attendance data input by office personnel, makes it impossible to verify attendance data.

3. Limited data provided by teachers reflect discrepancies in attendance data.

We reviewed specific information provided by teachers that reflected some students had absences in excess of the official attendance data maintained by the district and submitted to KDE. Examples: Teacher's grade book reflected a student absent 25 days, yet the school's student data management software attendance records reflected only 12 days. On another day the teacher's grade book had 54 days absent; software noted 35 days absent. Still on another day the teacher's grade book had 34 days absent, but the software data noted 29 days absent.

Significant variances in the teacher's records and data recorded in the software were found (Software refers to the student information data collection system utilized by all school districts to maintain attendance for funding purposes by KDE). We tested the attendance sheets that the teachers sent to the office and a child's name would be on the attendance sheet for being absent that day but in the software there would be no record of their absence.

In another school, there were differences noted between the data on the Entry/Exit log and the data in the student data software. Inaccurate information was also noted between the teacher's attendance book and the student data software. (At this school it was noted that teachers use the classroom module of the student data management software.)

4. Attendance data is not being input timely and is not adequately retained.

In our inquiry at one school, we noted that daily absences had not been entered into software since 4/13/06.

In this same school it was stated that parents must stop in the office and sign their children in and out. When the documentation was requested it was determined that the last date the sign in/out logs were used was 02/07/06. Also there were no sign-in and sign-out logs available from 9/23/05-12/6/05.

5. Computer system internal controls do not protect the reliability of school data.

In our inquiry at Johnson County's central office, we were told by school officials that the audit logging function within the software was not enabled by the district. We were also told that without this tracking mechanism turned on within the software; there is no way to track any changes made to the attendance data.

The change tracking in the software cannot be turned off, but viewing of the changes can be restricted based on user. This is an example of key personnel at the district level not fully understanding the software and its abilities. KDE does not require specific password change time frames on the school district's machines.

Findings Related to Other Issues

School Lunch Program

Material you provided included a copy of a school document that reflected participation in the school food programs for a number of days during 2004. The document included various handwritten annotations, including individual names. We described the document to the school food manager and she said only one elementary school still used a manually tabulated form. All other schools in the district used a computer generated reporting form.

The information you provided did not include any specific allegation related to school food service. We also interviewed the former district food service manager who is the current school district treasurer. He outlined the application and verification process for the free or reduced lunch program.

The KDE conducts an annual review of school lunch eligibility. Based on a review of KDE records, Johnson County schools have had no compliance problems in this area. No further investigation of this matter was performed given KDE's annual reports and lack of specific allegations. If KDE identifies eligibility verification problems, an expanded sample would have been selected.

Staff Time Reporting

The material you provided questioned the time and attendance of two specific individuals. The local district does not employ one of the two individuals. The other individual is employed as a 100-day contract employee and has assigned duties at the high school.

We investigated time sheets for that individual for 2004 and 2005 from the local school district and another employer. The time sheets for the individual at the local district are unsigned by the individual or a supervisor for the entire two-year period. The records of the second employer contain a signature by the individual. Based on that investigation we found five dates that reflected payment by both the local district and the second employer.

The superintendent provided us a written certification that the individual provided services to the local district on the five days in question. On two of the five days, the individual attended local school district administrative retreats in Lexington, KY. Meetings of the second employer on those two days were in Frankfort and Louisville. The superintendent also stated that the individual is to "work 100 days in the calendar year, but has no specific hourly schedule." The superintendent also provided a written statement that on the two days involving local district meetings in Lexington, KY; the individual did not bill the local district for any travel expense.

Given that responsibilities to the second employer could require less than a full day and the local district has no minimum requirement to qualify as a "day" under the contract, no further action was taken on this matter. The individual is not paid with federal funds.

Unsigned Time Sheets

As part of the investigation of time and attendance referenced above, we noted the following:

- Timesheets could not be located for the most current year on the day of our site visit and were subsequently mailed to us.
- The timesheets provided for a two-year period were not signed or dated by the employee or the supervisor.
- The superintendent advised us, based on his review, that timesheet signature and approval was a problem district-wide, not just for the one individual listed in the complaint letter.

This current practice at Johnson County School District provides for no verification or accountability for employee wages based on time sheets.

Title I Coordinator

During the course of our investigation, we became aware that the Title I Coordinator at one elementary school did not perform Title I duties on a full-time basis. Title I is a federally funded program for disadvantaged children. We investigated information supplied by the superintendent which reflected the Title I Coordinator was not 100% supported by federal funds. No further investigation was performed on this matter. The superintendent verified that this employee has other non-Title I duties.

Further Corrective Actions Related to Johnson County School District

- The APA will provide this letter to the private CPA firm performing the annual statutory audit of Johnson County School District for the year ending June 30, 2006. We will request the firm expand testing in the areas of payroll and time sheets, attendance verification, and IT system controls. A copy of the audit, when completed, should be submitted to the USDOE and APA for review.
- The KDE will perform additional reviews of the Johnson County School District, including technical assistance and training related to attendance practices/procedures.

The APA and the KDE had previously entered into a Memorandum of Agreement for the APA to review the attendance process currently used to audit school attendance by KDE. The original agreement between the APA and KDE did not include any fieldwork or testing at the local school district level. As a result of the information gained during the investigation of the Johnson County School District, the APA and KDE have jointly agreed to expand the current Agreed Upon Procedures to include limited testing at the local school district level later this year.

Summary and Recommendations

The reliability of Johnson County School District attendance data suffers from four major weaknesses:

- Data is input by principals rather than other school personnel; therefore, there is not a proper segregation of duties;
- Attendance source data is not retained;
- Grade books are collected from teachers and not returned; and
- Teachers are not provided attendance data for verification or review.

During the course of our review, we specifically asked the superintendent, key central office personnel, and the principals at the selected schools, if they had any knowledge of attendance data being altered. All of these officials stated that they had no knowledge of any actions of this nature.

Because of the concerns listed above, certain administrative practices at Johnson County School Districts warrant immediate corrective action:

- The district should review the practice of principals entering attendance data as opposed to other support personnel. The role of the principal to provide management oversight is compromised under the current practice.
- Records should be maintained to support student attendance data input at the school.
- Attendance discrepancies should be identified and resolved. Teachers should be aware of attendance data submitted for their classroom, if applicable.
- Student data should be input into the system on a timely basis.
- Key personnel should understand computer system safeguards.
- Timesheets should be signed and dated by the employee and the supervisor as part of the payroll process.

To ensure that corrective action is taken, the APA recommends:

- The local district, in consultation with KDE, should define what constitutes a day of work for 100-day contract employees.
- Expanded audit testing by the independent CPA firm performing the annual audit of Johnson County School District.
- Expanded technical assistance training and monitoring by the KDE to Johnson County School District.
- KDE should provide training and monitoring to all local districts to address the matters identified in this letter and include these matters during regular site visits by KDE.

Attached to this letter is a table that compares statewide attendance data and Johnson County School District's attendance data for school years 2002, 2003, 2004, and 2005. The superintendent of the Johnson County School District was provided the opportunity to review this letter and his response is attached.

We want to commend and thank the KDE for their cooperation and assistance in addressing this matter.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the attendance data, school lunch program, and staff time reporting. Accordingly, we do not express such an opinion.

This letter is intended solely for the information and use of the United States Department of Education, Office of the Inspector General, and the KDE and Johnson County School District, and is not intended to be and should not be used by anyone other than these specified parties.

Please advise the APA if a more detailed examination of the matters discussed in this letter is requested, or if you want to review any documentation related to our investigation. Based on the information we investigated, as previously stated in this letter and the death of the former district superintendent who served from 1994 to October 2005, we were not able to determine quantifiable questioned costs.

Sincerely,



Crit Luallen
Auditor of Public Accounts

Attachments:

- 1 – Statewide Attendance Data Compared to Johnson County for Selected Years
- 2 – Letter from United States Department of Education, Office of Inspector General
- 3 – Response from Johnson County School District

c: Gene Wilhoit, Commissioner
Kentucky Department of Education

Steve Trimble, Superintendent
Johnson County School District

Marcia Seiler
Office of Educational Accountability

Clay Mason, Resident Agent
Federal Bureau of Investigation

Wells & Company, CPA

Statistical Data
Johnson County Public Schools

	2002	2003	2004	2005
Total Enrollment	3785	3788	3769	3711
Johnson County's Percent of Attendance	96.48	95.98	95.75	95.96
Elementary School Data				
• Central Elementary School	96.64	96.56	96.64	98.02
• Flat Gap Elementary School	97.52	97.47	97.80	97.53
• Porter Elementary School	96.83	96.20	96.01	96.42
• Meade Memorial Elementary School	96.91	96.83	96.54	96.61
• W R Castle Memorial Elementary School	97.39	96.12	95.56	94.98
• Highland Elementary School	96.37	96.92	96.60	96.55
Statewide Percent of Attendance	94.4	94.31	94.26	94.43



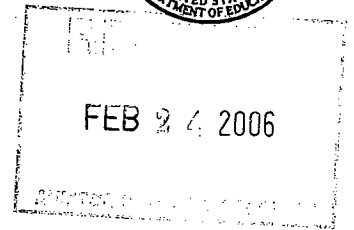
UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL
Investigative Services



January 23, 2006

Ms. Crit Luallen
Auditor of Public Accounts
105 Sea Hero Road, Suite 2
Frankfort, Kentucky 40601



Dear Ms. Luallen:

Re: Johnson County School System
Complaint Number 06-040133

The Office of Inspector General has reviewed the attached information regarding the above-referenced subject. Our evaluation of this complaint determined that it involves issues that can best be addressed by your office. We are forwarding this information to you for appropriate action.

If you have any questions please contact Special Agent (SA) Greg Peoples at (404) 562-6466. Electronic files of the complaint documents are enclosed. Your judicious handling of this matter is greatly appreciated.

Sincerely,

Lester Fernandez
Special Agent in Charge

Enclosure

Cc: Federal Bureau of Investigation
Special Agent In Charge Steven Gurley

Johnson County Schools

STEPHEN A. TRIMBLE, SUPERINTENDENT

253 NORTH MAYO TRAIL
PAINTSVILLE, KENTUCKY 41240-1803
PHONE (606) 789-2530
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DR. FRANKLEN BELHASEN, Chairman
MELVIN VANHOOSE, Vice Chairman

DANNY J. DANIELS, Member
BOB HUTCHISON, Member
JAMES DOUG WRIGHT, Member

June 20, 2006

Honorable Crit Luallen
State Auditor of Public Accounts
Commonwealth of Kentucky
105 Sea Hero Road, Suite 2
Frankfort, Kentucky 40601

Dear Auditor Luallen:

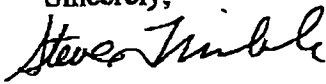
Thank you for the opportunity to respond to the findings outlined in your letter of June 15, 2006. I would also like to thank you, your staff, and the representatives from the KDE for the professional manner in which the visit of May 11, 2006, was conducted. As you know, our school district recently has undergone a change in administration. In addition to my being the new superintendent, our district has a new finance officer, board treasurer, payroll officer, and director of personnel. We have found this to be an ideal juncture to review all aspects of district management and operation and to make changes when warranted. This extensive review process began several weeks ago.

With regard to your attendance findings, I have directed our DPP (Director of Pupil Personnel) to take steps to develop and implement the additional procedures to ensure that pupil attendance records are kept in accordance with KDE guidelines and recommended practices. These revised procedures will address the issues concerning data entry and backup, timeliness of data entry, and proper internal controls referenced in your letter. These revised procedures will be implemented with the beginning of the 2006-2007 school year on August 3, 2006.

As previously mentioned, central office staff have already been reviewing district operation and have begun work on revising procedures to ensure more effective operation and management oversight in all areas, including, but not limited to, accounting for staff time. This particular issue had already been slated for discussion at our summer administrative retreat. Prior to your team's visit on May 11, I had already been in conversation with our independent audit firm concerning expectations for the next annual audit and welcome the expanded testing in the noted areas.

In closing, as Johnson County's new superintendent, I can assure you that our staff will cooperate fully and will welcome the opportunity to work with the KDE and others to revise any and all procedural issues to ensure the effective oversight and efficient operation of the district. Our Board of Education and our staff continue to be strongly committed to providing the children of Johnson County with the best educational opportunities available anywhere in the Commonwealth. Please do not hesitate to contact me if I can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Trimble". The signature is fluid and cursive, with the first name "Steve" and last name "Trimble" clearly distinguishable.

Steve Trimble, Superintendent
Johnson County Schools

Johnson County Schools

STEPHEN A. TRIMBLE, SUPERINTENDENT

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DR. FRANKLEN BELHASSEN, Chairman
MELVIN VANHOOSE, Vice Chairman

DANNY J. DANIELS, Member
BOB HUTCHISON, Member
JAMES DOUG WRIGHT, Member

To be attached to Statistical Data for Johnson County Schools

According to the Statistical Data report on attendance included in the State Auditor's Report, Johnson County Schools have had excellent attendance over the past four years. Several circumstances have contributed to the high attendance rate.

As a small county school system, seven of nine schools are in close proximity to each other. Also, very mild winters over the past four years and excellent road conditions have been a factor in high student attendance.

Johnson County Schools have always believed that good attendance will lead to high test scores and subsequently total academic success. Accordingly, Johnson County Schools have had outstanding test scores and our academic teams have been recognized throughout the state.

We make every effort to make Johnson County Schools a place where students want to attend. We motivate through positive daily activities and we instill that "SCHOOL IS COOL."

In an attempt to keep parents informed about their child's progress, Parent/Teacher conferences are scheduled every four and a half weeks, calls are made home anytime a student is absent, and home visits are performed. Our Director of Pupil Personnel also works closely with the court system to get truant students back to school.

Through partnerships with PTA organizations, corporate sponsors and parent donations, schools are able to offer attendance rewards such as:

- End of the year Recognition and Award Certificates
- Field Trips
- Dances
- T-shirts and Bumper Stickers
- Ice cream Socials
- Cookouts
- "Principals Promise Initiative" (Pie in the Face)
- McDonalds Report Card Cover Program for Attendance & Grades
- And many others

As you can see, student attendance is a top priority in the Johnson County School System; in the past and will be in the future!